

# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Magareng local municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Magareng local municipality set out on pages 1 to 84, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Magareng local municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

### Basis for qualified opinion

#### Property, plant and equipment

3. The municipality did not adequately assess infrastructure included in property, plant and equipment for impairment in accordance with GRAP 21, *Impairment of non-cash generating assets*, as the impairment assessment did not take into account all impairment indicators to determine the carrying value of infrastructure assets for current year and previous year. As the municipality did not have adequate systems to identify possible indicators of impairment. I was unable to determine the impact on the net carrying amount of infrastructure assets as it was impractical to do so. Additionally, there was a resultant impact on depreciation, impairment and reversals, deficit for the period and accumulated surplus
4. The municipality did not record land in accordance with GRAP 17, *Property, plant and equipment*. The assumptions used in determining the value of land is not a fair reflection of the market value. I was unable to determine the full extent of the misstatement for current year as well as previous years as it was impracticable to do so. Additionally, there was a resultant impact on depreciation, accumulated depreciation, the deficit for the period and the accumulated surplus.

## **Receivables from non-exchange transactions**

5. The municipality did not recognise the allowance for doubtful debts in accordance with GRAP 104, *Financial instruments* as the municipality did not consider credit exposure. I was unable to determine the impact on the net balance of receivables from non-exchange transactions as it was impractical to do so. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.

## **Receivables from exchange transactions**

6. The municipality did not recognise the allowance for doubtful debts in accordance with GRAP 104, *Financial instruments* as the municipality did not consider all credit exposure. I was unable to determine the impact on the net balance of receivables from exchange transactions as it was impractical to do so. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.
7. During 2016, I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions as the municipality did not have adequate systems to maintain records of receivables from exchange transactions. I was unable to confirm receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment to receivables from exchange transactions, stated at R3 568 339 in note 13 to the financial statements, was necessary

## **Employee benefit obligation**

8. I was unable to obtain sufficient appropriate audit evidence for post-retirement benefits included in the employee benefit obligation as the municipality did not provide the basis used to determine eligibility of employees who qualifies for post-retirement benefit. I was unable to confirm post-retirement benefit by alternative means. Consequently, I was unable to determine whether any adjustments to post retirement benefit stated at R10 352 000 (2016: R10 524 000) in note 8 to the financial statements were necessary.

## **Payables from exchange transactions**

9. I was unable to obtain sufficient appropriate evidence relating to payments received in advance as the municipality did not have adequate systems to maintain records of payment received in advance. I was unable to confirm payments received in advance by alternative means. Consequently, I was unable to determine whether any adjustment to payments received in advance, stated at R2 366 721(2016: R1 768 911) in note 18 to the financial statements, was necessary.

## **Revenue from non-exchange transactions**

10. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transaction relating to property rates as the municipality did not have adequate systems to maintain records of revenue from non-exchange transactions. I was unable to confirm these revenue items by alternative means. Consequently, I was unable to determine whether any adjustments to property rates stated at R6 894 000 (2016: R6 543 448) in note 22 to the financial statements, were necessary.

## Revenue from exchange transactions

11. The municipality did not recognise revenue from exchange transactions relating to service charges, in accordance with GRAP 9, *Revenue from exchange transactions* due to incorrect billing. I was unable to determine the full extent of the misstatement of revenue from exchange relating to service charges and receivables from exchange as it was impracticable to do so.
12. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for service charges, due to the state of the accounting records. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustment to service charges, stated at R28 230 015 (2016: R25 918 907) in note 23 to the financial statements, was necessary.

## Irregular expenditure

13. The MFMA section 125 (2) (d) requires the municipality to include particulars of irregular expenditure in the notes to the annual financial statements. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements that were not included in irregular expenditure disclosed in note 48 to the financial statements. I was unable to determine the full extent of the understatement for current year as well as previous years as it was impracticable to do so. In addition, the municipality did not have adequate systems to maintain complete records of irregular expenditure. Due to this lack of systems, I was not able to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment to irregular expenditure disclosed as R28 250 461 (2016: R25 770 634) in note 48 to the financial statements was necessary.

## Aggregation of immaterial uncorrected misstatements

14. The financial statements were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following items included in the statement of financial performance:
  - Contracted services were overstated by R765 453.
  - Employee related costs were overstated by R713 120.

## Context for the auditor's opinion

15. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
16. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

17. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Material uncertainty related to going concern/financial sustainability**

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Material uncertainty related to financial sustainability**

19. I draw attention to note 44 in the financial statements, which indicates that the Municipality incurred a net loss of R 29 220 472 (2016: R 10 810 986) during the year ended 30 June 2017. As stated in Note 44, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Municipality's ability to continue as a going concern. My opinion is not modified in respect of this matter

### **Emphasis of matters**

20. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Restatement of corresponding figures**

21. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered during 2017 in the financial statements of the Magareng local municipality at, and for the year ended, 30 June 2017.

### **Material losses**

#### **Material losses – electricity**

22. As disclosed in note 51 to the financial statements, material electricity losses to the amount of R 3 967 992 (2016: R 8 675 808) was incurred which represents 27% (2016: 58%) of total electricity purchased.

#### **Material losses – water**

23. As disclosed in note 51 to the financial statements, material electricity losses to the amount of R 3 762 355 (2016: R 2 836 738) was incurred which represents 90% (2016: 88%) of total water purchased.

### **Other matters**

24. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Unaudited disclosure notes**

25. In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon."



## **Unaudited supplementary schedules**

26. The supplementary information set out on pages 84 to 85 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on

## **Responsibilities of the accounting officer for financial statements**

27. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
28. In preparing the financial statements, the accounting officer is responsible for assessing the Magareng local municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

## **Auditor-general's responsibilities for the audit of the financial statements**

29. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
30. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

31. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
32. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods

that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

33. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in the annual performance report of the municipality for the year ended 30 June 2017:

Key performance Areas	Pages in the annual performance report
KPA 2: Basic service delivery and infrastructure development	6 – 8

34. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
35. The material findings in respect of the usefulness and reliability of the selected key performance area are as follows:

#### **KPA 2– Basic service delivery and infrastructure development**

##### **Key performance indicator: Maintenance of Sewer pump stations**

36. The indicator target was reported as 100% expenditure in the annual performance report, while the indicator target was approved as project 100% complete in the service delivery and budget implementation plan. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).
37. The source information and evidence and the method of calculation for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI).

##### **Key performance indicator: Sewer Reticulation at the station area**

38. The indicator target was reported as '100% expenditure' in the annual performance report, while the indicator target was approved as 'project 100% complete' in the service delivery and budget implementation plan. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).
39. The source information and evidence and the method of calculation for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI).

##### **Key performance indicator: Kilometers of roads repaired**

40. The indicator target was reported as '4 km' in the annual performance report, while the indicator target was approved as '6 km' in the service delivery and budget implementation plan. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

41. The source information for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPPI).

**Key performance indicator: Refurbishment of existing electricity infrastructure**

42. The indicator target was reported as '50% complete' in the annual performance report, while the indicator target was approved as 'To complete Phase2' in the service delivery and budget implementation plan. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

**Key performance indicator: Supply and delivery of Electricity materials and equipment**

43. The source information for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPPI).

**Key performance indicator: Water supply in Warrenton**

44. The reported achievement for target was misstated as the evidence provided indicated 33.59% and not 50.06% as reported.

**Key performance indicator: Audit, Replacement of faulty meter and bypassed meters to curb electricity losses**

45. I was unable to obtain sufficient appropriate audit evidence for the reported achievement. This was due to limitations placed on the scope of my work; we could not confirm the completeness of the indicator. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 600 meters installed.

**Various indicators**

46. I was unable to obtain sufficient appropriate audit evidence for the reported achievements. This was due to a lack of technical indicator descriptions and proper performance management systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Key performance indicator	Reported achievement
Maintenance of sewer pump stations	100% expenditure
Sewer reticulation at the station area	100% expenditure
Refurbishment of existing electricity infrastructure	50% completed
Repairs of High Mast lights	10
Supply and delivery of electricity materials and equipments	100% expenditure



## **Other matters**

47. I draw attention to the matter below.

## **Achievement of planned targets**

48. Refer to the annual performance report on pages 6 to 8 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x; x of this report.

## **Report on audit of compliance with legislation**

### **Introduction and scope**

49. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

50. The material findings on compliance with specific matters in key legislations are as follows:

### **Budget**

51. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 15 669 579 (2016: R61 772 957), as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

### **Annual Financial statements, performance report and annual reports**

52. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

53. The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(b) of the Municipal Systems Act

54. The 2015/16 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.

55. The oversight report adopted by the council on the 2015/16 annual report was not made public, as required by section 129(3) of the MFMA.



## **Expenditure management**

- 56. Money owed by the municipality was not always paid within 30 days, as required by section 65(2) (e) of the MFMA.
- 57. Effective steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred, the full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph.
- 58. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R 5 224 279, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on late payments to suppliers due to municipal cash flow constraints

## **Revenue management**

- 59. A credit control and debt collection policy was not adopted, as required by section 96(b) of the Municipal Systems Act and section 62(1)(f)(iii) of the MFMA.
- 60. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
- 61. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

## **Strategic planning and budgeting and performance management**

- 62. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.
- 63. A performance management system was not established or adopted as required by section 38(a) of the Municipal Systems Act and municipal planning and performance management regulation 8.

## **Procurement and contract management**

- 64. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
- 65. Sufficient appropriate audit evidence could not be obtained that bid specifications unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a).
- 66. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).

67. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).
68. The preference point system was not applied for some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3(b).
69. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
70. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by Preferential Procurement Regulation 4.
71. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).
72. Bid documentation for procurement of some of the commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1).
73. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
74. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

#### **Human resource management**

75. I was unable to obtain sufficient appropriate audit evidence that the senior managers disclosed financial interests within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers
76. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1) (d) of the MSA

#### **Utilisation of Conditional grants**

77. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant, as required by section 12(5) of the Division of Revenue Act.
78. The Integrated National Electrification Programme Grant (INEP) was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the Division of Revenue Act.

## **Liability management**

79. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA

## **Asset management**

80. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA
81. The municipality did not establish an investment policy that was adopted by council, as required by section 13(2) of the MFMA and municipal investment regulation 3(1) (a).

## **Consequence management**

82. All unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
83. Authorisation of unauthorised expenditure amounting to R77 442 536 was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.
84. Irregular expenditure and fruitless and wasteful expenditure incurred by the Municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA and the Municipal budget and reporting regulations 75(1).

## **Other information**

85. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected key performance areas presented in the annual performance report that have been specifically reported on in the auditor's report.
86. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
87. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
88. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary

## Internal control deficiencies

89. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
90. The leadership did not oversee financial and performance reporting and compliance and related internal controls. The leadership did not ensure processes were in place for reviews to be performed prior to the submission of information, as material errors were detected in the financial statements and non-compliance with legislation and internal control deficiencies were noted throughout the audit process. As a result there were repeat findings in the current year.
91. The leadership did not set the correct tone at the top. Senior management did not adhere to internal controls, which resulted in unauthorised and irregular expenditure not detected by management as well as non-compliance with relevant laws and regulations.
92. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evident by the failure of the leadership to adequately address the external audit findings. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root causes.
93. The leadership compiled an action plan based on the audit report findings, however they did not adequately implement the action plan to ensure that corrective actions are taken when required and within the required timeframes. This has resulted in similar prior year material findings reoccurring in the current financial year.
94. Management did not adequately review the annual performance report before submission for auditing. The annual performance report was not supported and evidenced by reliable information and Finance staff members did not have adequate knowledge of GRAP as a result the municipality chose to use consultants to prepare the annual financial statements
95. The systems underlying the procurement processes at the municipality were inadequate to prevent and detect irregular expenditure, resulting in irregular expenditure that was disclosed in the accounting records of the municipality. Effective and appropriate disciplinary steps were not taken against officials who made and permitted unauthorised, irregular as well as fruitless and wasteful expenditure.



96. The municipality did not conduct risk assessment as a result did not identify risks relating to the achievement of financial and performance reporting objectives. Consequently, controls were not developed to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.

*Auditor General.*

Kimberley

30 November 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected key performance areas and on the municipality's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Magareng Local Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.